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## **ZIONCOM HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8287)**

### **CLARIFICATION ON THE USE OF NET PROCEEDS IN FIRST QUARTERLY RESULTS ANNOUNCEMENT 2018, FIRST QUARTERLY REPORT 2018, INTERIM RESULTS ANNOUNCEMENT 2018, INTERIM REPORT 2018, THIRD QUARTERLY RESULTS ANNOUNCEMENT 2018 AND THIRD QUARTERLY REPORT 2018**

Reference is made to the Announcement of the Company dated 29 March 2019 in relation to changes to the use of Net Proceeds. References are also made to First Quarterly Results Announcement 2018, First Quarterly Report 2018, Interim Results Announcement 2018, Interim Report 2018, Third Quarterly Results Announcement 2018, Third Quarterly Report 2018, Annual Results Announcement 2018 and Annual Report 2018 in relation to, among others, the use of Net Proceeds.

The Net Proceeds received by the Company from the Share Offer were approximately HK\$42.5 million. The Net Proceeds have been subsequently deposited into several bank accounts of the Group with other funds arising from the Group’s normal course of business.

## BACKGROUND OF THE ACTUAL CHANGE

The Company was only made aware of the Actual Change prior to the publication to the Annual Results Announcement 2018. After reviewing the financial information of the Group as of 31 December 2018, it was noticed that the difference between the amount of the cash and bank balance of the Group at the relevant time and the actual Net Proceeds utilised as disclosed in the Annual Results Announcement 2018 appeared to be lower than the unutilised Net Proceeds. In this respect, the Company would like to clarify that, in view of the anticipation of stronger brand awareness as a result of the Listing and the prospective business growth in early 2018, the Group had increased the purchase of raw materials in order to speed up the production volume which in turn also significantly increased the account payable to different suppliers. In or around early March 2018, the Group began to settle certain account payable to a number of suppliers to ensure stability of raw material supply. In order to do so, the Group arranged to deposit a sum of approximately RMB16.5 million (equivalent to approximately HK\$18.8 million) in the Group's pledged bank deposit account between March 2018 and September 2018 so that the banks could issue letters of credit and/or bills for the Group's business operation and for account payable settlements. The Company at the relevant time misunderstood that there was no material change to the use of Net Proceeds as there were only fund movements between the Group's bank accounts. As such, the Company did not consult its compliance adviser, Lego Corporate Finance Limited, in advance.

With regard to the engagement of independent third party R&D company and in mid-January 2018, the Group initiated a discussion with the R&D Company in order to explore the opportunity to expedite the R&D activities of the Company in its product variety diversification, in particular on the AR technology, a technology which the Group does not possess. The Company confirmed that the Group had entered into an agreement with the R&D Company on 15 March 2018 (the "**R&D Agreement**") for the R&D of AR products as the Group is yet to develop such AR technology. The agreement sum under the R&D Agreement was approximately US\$780,000 (approximately HK\$6.0 million) and the Group had made two transfers in mid-March 2018 to the R&D Company in a sum of approximately HK\$3.0 million as the initial deposit. As the Net Proceeds were deposited together with the Group's other funds arising from the normal course of business of the Group, the Company was not aware of the fact that the said sum was paid out from the Net Proceeds.

The Company considers the Actual Change a material change to the use of Net Proceeds. In this regard, the Company would like to provide further information to its Shareholders regarding actual use of Net Proceeds on quarterly basis which is set out under the section headed "Clarifications and amendments of the published results announcements and reports of the Company" in this announcement below.

## CLARIFICATIONS AND AMENDMENTS OF THE PUBLISHED RESULTS ANNOUNCEMENTS AND REPORTS OF THE COMPANY

### 1. First Quarterly Results Announcement 2018 and First Quarterly Report 2018

The Company would like to clarify that there were in fact changes to the business plans and application of the Net Proceeds for the three months ended 31 March 2018 since the Listing. The table below shows the actual amount of Net Proceeds utilised from the Listing up to 31 March 2018:

	<b>Actual amount of Net Proceeds utilised from the Listing to 31 March 2018 <i>HK\$ million</i></b>
<b>(a) Planned Use of Net Proceeds</b>	
1. To increase market penetration of our Branded Products in emerging markets in Asia and other markets with good potential	0.7
2. To introduce automation system to our Shajing Production Facilities in order to lower our production costs	3.4
3. To enlarge our research and development (“R&D”) capacity	0.5
4. To reduce our gearing ratio by repaying finance lease facilities	0.5
<b>(b) Unplanned Use of Net Proceeds</b>	
5. To outsource to external R&D company	3.0
6. To source raw materials to increase production volume	5.8
<b>Total</b>	<hr/> <b>13.9</b> <hr/>

## 2. Interim Results Announcement 2018 and Interim Report 2018

The Company would like to further clarify that the information on the section headed “Use of Proceeds” of the Interim Results Announcement 2018 and the Interim Report 2018, representing the actual amount of Net Proceeds utilised from the Listing up to 30 June 2018, have to be amended as follows in which the amended words and figures are highlighted with italic for easy reference:

	<b>Actual amount of Net Proceeds utilised for the six months ended 30 June 2018 <i>HK\$ million</i></b>
<b>(a) Planned Use of Net Proceeds</b>	
1. To increase market penetration of our Branded Products in emerging markets in Asia and other markets with good potential	2.0
2. To introduce automation system to our Shajing Production Facilities in order to lower our production costs	10.2
3. To enlarge our research and development (“ <b>R&amp;D</b> ”) capacity	1.2
4. To reduce our gearing ratio by repaying finance lease facilities	1.1
<b>(b) Unplanned Use of Net Proceeds</b>	
5. <i>To outsource to external R&amp;D company</i>	3.0
6. <i>To source raw materials to increase production volume</i>	14.8
<b>Total</b>	<b>32.3</b>

### 3. Third Quarterly Results Announcement 2018 and Third Quarterly Report 2018

The Company would like to clarify that there were changes to the business plans and application of the Net Proceeds for the nine months ended 30 September 2018. The table below shows the actual amount of Net Proceeds utilised from the Listing up to 30 September 2018:

	<b>Actual amount of Net Proceeds utilised for the nine months ended 30 September 2018</b> <i>HK\$ million</i>
<b>(a) Planned Use of Net Proceeds</b>	
1. To increase market penetration of our Branded Products in emerging markets in Asia and other markets with good potential	3.5
2. To introduce automation system to our Shajing Production Facilities in order to lower our production costs	10.2
3. To enlarge our research and development (“R&D”) capacity	2.2
4. To reduce our gearing ratio by repaying finance lease facilities	1.7
<b>(b) Unplanned Use of Net Proceeds</b>	
5. To outsource to external R&D company	3
6. To source raw materials to increase production volume	18.8
<b>Total</b>	<b>39.4</b>

## OVERVIEW OF APPLICATION OF NET PROCEEDS FOR THE YEAR ENDED 31 DECEMBER 2018

As of 31 December 2018, all the Net Proceeds have been fully utilised and the table below shows the breakdown of the application of the Net Proceeds since the Listing up to 31 December 2018.

Uses of the Net Proceeds	Actual amount of Net Proceeds utilised from the Listing to 31 March 2018 <i>HK\$ million</i>	Actual amount of Net Proceeds utilised from 1 April 2018 to 30 June 2018 <i>HK\$ million</i>	Actual amount of Net Proceeds utilised from 1 July 2018 to 30 September 2018 <i>HK\$ million</i>	Actual amount of Net Proceeds utilised from 1 October 2018 to 31 December 2018 <i>HK\$ million</i>	Actual Net Proceed utilised	Intended application of Net Proceeds as disclosed in the Prospectus <i>Percentage (%)</i>	Actual application of Net Proceeds as of 31 December 2018 <i>Percentage (%)</i>	Deviation <i>Percentage (%)</i>
					for the year ended 31 December 2018 as disclosed in the Results Announcement <i>HK\$ million</i>			
1. To increase market penetration of our Branded Products in emerging markets in Asia and other markets with good potential	0.7	1.3	1.5	1.2	4.7	9.2	11.1	+ 1.9
2. To introduce automation system to our Shajing Production Facilities in order to lower our production costs	3.4	6.8	–	–	10.2	66.2	24.0	– 42.2
3. To enlarge our research and development (“R&D”) capacity	0.5	0.7	1.0	1.3	3.5	10.5	8.2	– 2.3
4. To reduce our gearing ratio by repaying finance lease facilities	0.5	0.6	0.6	0.6	2.3	14.1	5.4	– 8.7
5. To outsource to external R&D company	3.0	–	–	–	3.0	–	7.1	+ 7.1
6. To source raw materials to increase production volume	5.8	9.0	4.0	–	18.8	–	44.2	+ 44.2
<b>Total</b>	<b>13.9</b>	<b>18.4</b>	<b>7.1</b>	<b>3.1</b>	<b>42.5</b>	<b>100</b>	<b>100</b>	<b>–</b>

## DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Actual Change”	Actual changes to the use of Net Proceeds
“Announcement”	announcement of the Company dated 29 March 2019 in relation to changes in use of Net Proceeds
“Annual Results Announcement 2018”	annual results announcement of the Company for the year ended 31 December 2018

“Annual Report 2018”	report of the Company for the year ended 31 December 2018
“AR”	augmented reality
“Board”	the board of Directors
“Company”	Zioncom Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM of the Stock Exchange
“Director(s)”	director(s) of the Company
“First Quarterly Report 2018”	first quarterly report of the Company for the three months ended 31 March 2018
“First Quarterly Results Announcement 2018”	first quarterly results announcement of the Company for the three months ended 31 March 2018
“GEM”	GEM of the Stock Exchange
“Group”	The Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Interim Report 2018”	interim report of the Company for the six months ended 30 June 2018
“Interim Results Announcement 2018”	interim results announcement of the Company for the six months ended 30 June 2018
“Listing”	the listing of the Shares on GEM on 18 January 2018
“Net Proceeds”	net proceeds of approximately HK\$42.5 million raised by the Company from the Listing
“Prospectus”	the prospectus issued by the Company dated 28 December 2017
“R&D”	research and development
“R&D Company”	an external independent third party R&D company engaged by the Group for the R&D on AR technology products
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

“Share Offer”	the public offer and placing of 198,000,000 new Shares of the Company at the final offer price of HK\$0.43 per Share under the Prospectus
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Quarterly Report 2018”	third quarterly report of the Company for the nine months ended 31 September 2018
“Third Quarterly Results Announcement 2018”	third quarterly results announcement of the Company for the nine months ended 31 September 2018

By order of the Board  
**Zioncom Holdings Limited**  
**Kim Byung Kwon**  
*Chairman*

Hong Kong, 18 April 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Kim Byung Kwon, Mr. Kim Jun Yeob, Mr. Koo Ja Chun and Mr. Xiao Jingen; and the independent non-executive Directors of the Company are Mr. Ko Ming Tung, Edward and Mr. Shin Dongmin.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the website of GEM of the Stock Exchange at <http://www.hkgem.com> for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at <http://www.zioncom.net>.*